
**LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.**
AND SUBSIDIARIES
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012



A Professional Accounting Corporation

www.pncpa.com

**LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES
NEW ORLEANS, LOUISIANA**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1-2
<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	6-22
<u>SUPPLEMENTAL INFORMATION</u>	
Consolidating Statements of Financial Position	23-24
Consolidating Statements of Activities	25-26
<u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></u>	27-28
<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>	29

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries (LAHBPA 1993 Inc) which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Horsemen's Benevolent and Protective Association 1993 Inc. as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 23 through 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration Louisiana Horsemen's Benevolent and Protective Association 1993 Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAHBPA 1993 Inc.'s internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 30, 2014

**LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

ASSETS

	2013	2012
Assets		
Cash and cash equivalents	\$ 1,166,870	\$ 1,126,173
Claims escrow funds	216,397	494,749
1% fees receivable - workers' compensation program	68,383	71,494
Accounts receivable - workers' compensation program	67,315	117,172
Premium receivable	49,213	51,200
Prepaid expenses	187,006	169,223
Restricted cash - workers' compensation program	1,020,612	1,765,748
Due from related parties	6,303	786
Investments	75,273	79,271
Property and equipment, net	240,969	282,710
Total assets	\$ 3,098,341	\$ 4,158,526

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 82,090	\$ 85,308
Reserve for losses and loss adjustment expenses	530,814	1,300,896
Losses payable	126,196	56,412
Unearned premiums - workers' compensation	299,872	309,464
Due to related parties	380,661	552,261
Total liabilities	1,419,633	2,304,341
Net assets:		
Unrestricted - workers' compensation program	640,038	1,008,591
Unrestricted - LAHBPA 1993 Inc.	1,038,670	845,594
Total net assets	1,678,708	1,854,185
Total liabilities and net assets	\$ 3,098,341	\$ 4,158,526

The accompanying notes are an integral part of these financial statements.

LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012

	2013	2012
Revenue and other support		
Workers' compensation premiums	\$ 186,406	\$ 204,380
Management fee income	1,609,200	1,895,500
Underwriting loss	(158,520)	(453,767)
Pony lead fees	610,245	631,815
Investment income - Horsemen's Bookkeeper	177,486	214,923
Jockey payroll and NSF fees	43,953	49,545
Investment return	3,495	8,218
Other income	6,162	337,410
	2,478,427	2,888,024
 Expenses		
Workers' compensation and underwriting program expenses	78,066	(437,489)
Support services	2,575,838	2,727,378
	2,653,904	2,289,889
 Change in net assets	(175,477)	598,135
 Net assets, beginning of year	1,854,185	1,256,050
 Net assets, end of year	\$ 1,678,708	\$ 1,854,185

The accompanying notes are an integral part of these financial statements.

**LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (175,477)	\$ 598,135
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	57,885	88,297
Bad debt expense	3,500	-
Realized and unrealized gain on investments	3,998	1,487
Net change in operating assets and liabilities:		
Decrease (increase) in 1% fees receivable	3,111	(539)
Decrease in accounts receivable - workers' compensation	46,357	65,789
Decrease in premium receivable	1,987	-
Increase in prepaid expenses	(17,783)	(99,056)
Decrease (increase) in claims escrow funds	278,352	(180,024)
Decrease in accounts payable and accrued expenses	(3,218)	(431,255)
Decrease in reserve for losses and loss adjustment expenses	(770,082)	(1,508,158)
Increase (decrease) in losses payable	69,784	(59,572)
Decrease in unearned premiums	(9,592)	(28,710)
Increase (decrease) in due to/from related parties	(177,117)	19,073
	<u>(688,295)</u>	<u>(1,534,533)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Capital expenditures	(16,144)	(15,763)
Proceeds from sale of investments	-	50,000
	<u>(16,144)</u>	<u>34,237</u>
Net cash provided by (used in) investing activities		
Net decrease in cash and cash equivalents	<u>(704,439)</u>	<u>(1,500,296)</u>
Cash and cash equivalents, beginning of year	2,891,921	4,392,217
Cash and cash equivalents, end of year	<u>\$ 2,187,482</u>	<u>\$ 2,891,921</u>
<u>Reconciliation to the consolidated statements of financial position</u>		
Cash and cash equivalents	\$ 1,166,870	\$ 1,126,173
Restricted cash workers' compensation program	1,020,612	1,765,748
	<u>\$ 2,187,482</u>	<u>\$ 2,891,921</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. Significant Accounting Policies

Organization

The Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (LAHBPA 1993 Inc.) was formed for the purpose of protecting the interest of the horse owners and trainers, particularly as it relates to their relationships with the owners and managers of race tracks. More specifically, LAHBPA 1993 Inc. operates with the express purpose "...to foster, protect, represent, and promote the welfare and common interest of thoroughbred and quarter horse owners and trainers, to improve conditions in the horse racing industry, to improve relationships between horsemen, other members of the racing industry, and the general public in the State of Louisiana..." LAHBPA 1993 Inc. mediates on behalf of individual members when problems arise with racetrack management or the State Racing Commission, negotiates fair distributions at race tracks, and monitors state and federal legislative developments in the interest of horsemen.

With amendments to Louisiana Revised Statutes (LRS) 4:251 and 252, LAHBPA 1993 Inc. formed a wholly owned subsidiary, Horsemen's Alliance Holdings, Inc. (HAH) which serves as the parent holding company for Horsemen's Insurance Alliance SPC (HIA), which was incorporated in the Cayman Islands and holds an Insurer's license, through which a workers' compensation insurance program is marketed to the members of LAHBPA 1993 Inc.

HAH, was incorporated on June 30, 2006 in the state of Louisiana, and is the parent holding company for the HIA. HIA was incorporated on June 23, 2006 in the Cayman Islands, as an exempted segregated portfolio company with limited liability and holds an Unrestricted Class "B" insurer's license, subject to the provisions of the Insurance Law (2008) of the Cayman Islands. HIA is comprised of a general portfolio which carries no risk and one segregated portfolio (Louisiana SP).

The principal business of Louisiana SP is to provide reinsurance of the workers' compensation, occupational disease and employer's liability coverage issued by National Union Fire Insurance Company of Pittsburgh and other member companies of Chartis (the Reinsured) to LAHBPA 1993 Inc. The limit of liability is \$300,000 per occurrence and \$3,040,000 in aggregate for the policy period of July 1, 2010 to July 1, 2011. As more fully described in Note 10, a standby letter of credit has been pledged by LAHBPA 1993 Inc. in favor of HIA to cover the Louisiana SP's capital requirement. Effective July 16, 2011, HIA no longer writes any new business and upon cancellation of the current policies in force, HIA commenced running off its existing book of business.

On July 13, 2011, the Horsemen's Workers' Compensation Insurance Trust (HWCIT) was formed for the purpose of directly insuring a significant portion of the insurance risks previously reinsured through HIA. HWCIT began providing insurance coverage on July 17, 2011.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. Significant Accounting Policies (continued)

LAHBPA 1993 Inc. also administers a non-qualified Pension Plan and a Medical Benefit Plan with scheduled benefits for its members and their dependents. Although LAHBPA 1993 Inc. manages/administers both Plans and HWCIT and shares overhead expenses, each Trust is a separate legal entity with its own funding sources and operating expenses, separate and apart from LAHBPA 1993 Inc.'s operations. LAHBPA 1993 Inc. also maintains and serves as the disbursing agent for the Horsemen's Bookkeeper Account which is the recipient of all Louisiana horse race purses for disbursement for the owners.

Principles of Consolidation

The accompanying consolidated financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries include the accounts of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., and its wholly owned subsidiary, HAH. Also included are the accounts of the HIA, a wholly owned subsidiary of the HAH. All intercompany activities and transactions have been eliminated upon consolidation.

Basis of Accounting

The financial statements have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LAHBPA 1993 Inc. and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets*- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of LAHBPA 1993 Inc. and or the passage of time.
- *Permanently Restricted Net Assets* - Net assets are subject to donor-imposed stipulations that they be maintained permanently by LAHBPA 1993 Inc. Generally, the donors of these assets permit LAHBPA 1993 Inc. to use all or part of the income earned on any related investments for general or specific purposes.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

The statement of activities presents expenses of LAHBPA 1993 Inc.'s operations functionally between program services and management and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Segregated Portfolio Accounts

The assets, liabilities, and equity of the Louisiana Segregated Portfolio (SP) are kept separate from the general assets of HIA. Further, the assets and liabilities of the SP are kept segregated, separate, and separately identifiable from any other segregated portfolio. In the case of insolvency with respect to HIA's general business activities, creditors may be entitled to recourse only to the extent of the HIA's general assets. In the case of insolvency with respect to or attributable to a particular segregated portfolio, creditors may be entitled to have recourse only to: firstly, specific segregated portfolio assets attributable to such segregated portfolio; and secondly, HIA's general assets to the extent that they exceed the minimum required capital as specified by Cayman Islands Monetary Authority. Such a claim shall not extend to the assets attributable to any other segregated portfolio.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, LAHBPA 1993 Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit and a mutual fund. Certificates of deposit are recorded at historical cost, which approximates fair value. Mutual funds are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) include LAHBPA 1993 Inc.'s gains and losses on investments bought and sold as well as held during the year.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost. LAHBPA 1993 Inc.'s policy is to capitalize property and equipment over \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives (3 - 10 years) of the respective assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, significant renewals, and betterment are capitalized.

Unearned Premiums

Unearned premiums represent advance workers' compensation premiums paid excluding the non-refundable minimum deposit of \$1,000 as of December 31, 2013 and 2012.

Reinsurance premiums are recognized on a pro rata basis of the policy terms. The portion of premiums and ceding commissions that relate to future periods are deferred and recorded as unearned premiums and deferred ceding commissions.

Reserve for Losses and Loss-Adjustment Expenses

HIA determines its reserves for losses and loss-adjustment expenses on the basis of the losses reported by loss managers. Losses incurred but not reported are provided for on the basis of the advice of an independent actuary.

The reserve for losses and loss-adjustment expenses represents management's best estimate of the ultimate settlement costs of all losses and loss-adjustment expenses and are subject to the impact of further changes in loss severity, frequency and other factors. Management believes that amounts are adequate and recognizes the variability inherent in the data used in determining the liability, however, the absence of sufficient historical loss experience to support the assumptions inherent in establishing the estimate results in uncertainty as to the amount which will ultimately be required for the settlement of losses and loss expenses, and the differences could be material. The estimate is continuously reviewed, and as adjustments to the liability become necessary, they are reflected in current operations.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. Significant Accounting Policies (continued)

Revenue and other support

LAHBPA 1993 Inc. is funded by the statutorily dedicated funds described in the Louisiana Revised Statute (La R.S) 4:251 through 252, relative to workers' compensation insurance coverage. These funds are referred to in the financial statements as 2% Workers' Compensation Revenue. Pursuant to La R.S. 4:252 (c)(5), LAHBPA 1993 Inc. receives 2% of all purses and purse supplements available for purses for any race meets in Louisiana. These funds are placed in a Reserve Fund and the total sum of such revenues used is limited by State Statute. As of August 15, 2008, these funds shall be utilized without the limitation and conditions previously established, however, some are specifically limited to no more than 2% of the total amount of purses and purse supplements available for purses for any race meet. Of the 2% Workers' Compensation Revenue, LAHBPA 1993 Inc. may utilize up to one-half of the authorized two percent for the improvement and administration of the Louisiana Horsemen's Pension Trust. During the years ended December 31, 2013 and 2012, 1% of the 2% Workers' Compensation Revenue was recorded as revenue on the Pension Trust. During the years ended December 31, 2013 and 2012, 1% of the 2% Workers' Compensation Revenue was recorded as revenue in HWCIT.

The Workers' Compensation Insurance Program also generates premium revenue for LAHBPA 1993 Inc. Members of LAHBPA 1993 Inc. are charged a premium based on either the number of race starts or per payroll level if the member is a non-racing farm. Effective July 17, 2011 premium revenue earned for coverage provided by HWCIT is recorded as revenue in HWCIT.

LAHBPA 1993 Inc. is also funded by the investment income earned on deposits maintained in the Horsemen's Bookkeeper Account, as more fully described in Note 9.

Income Taxes

LAHBPA 1993 Inc. is a nonprofit organization exempt from income taxes under provisions of the Internal Revenue Service Code Sections 501(c)(6), respectively, and the La R.S.; therefore, no provision has been made for federal and state income taxes.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. Significant Accounting Policies (continued)

Income Taxes (continued)

LAHBPA 1993 Inc. applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, LAHBPA 1993 Inc. has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on LAHBPA 1993 Inc. LAHBPA 1993 Inc.'s tax returns for the years ended December 31, 2012, 2011, and 2010 remain open and subject to examination by taxing authorities. The 2013 tax return has not been filed as of the report date and is on valid extension.

HIA is not subject to taxes on income or gains under Section 6 of the Cayman Islands Tax Concessions Law (Revised). Therefore, no provision for taxes has been made in these financial statements. HIA intends to conduct its activities so as not to be subject to taxation in any other jurisdiction. As a result of the above matters, no tax liability or expense has been recognized in the financial statements.

Pony Lead Fees

Pony lead fee revenue is paid by each owner and is earned based on each start. Effective February 1, 2011, the Board of LAHBPA 1993, Inc. approved an increase in the pony lead fees of \$6 per start with \$2 dedicated to fund the repayment of the balance due from LAHBPA 1993, Inc. to the Medical Benefit Trust. On October 14, 2013, the Board of LAHBPA 1993 Inc. voted to continue the \$6 pony lead fee but to direct the \$2 portion previously dedicated to repayment of debt to the Medical Benefit Trust to the current operations of LAHBPA 1993 Inc.

Contributed Services

A portion of LAHBPA 1993 Inc.'s functions are conducted by unpaid volunteer officers and committee members. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

2. Investments

Investments are stated at fair value and consist of the following at December 31, 2013 and 2012.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized gain</u>
December 31, 2013			
Mutual Fund	\$ 73,113	\$ 75,273	\$ 2,160
	<u>\$ 73,113</u>	<u>\$ 75,273</u>	<u>\$ 2,160</u>
December 31, 2012			
Mutual Fund	\$ 73,113	\$ 79,271	\$ 6,158
	<u>\$ 73,113</u>	<u>\$ 79,271</u>	<u>\$ 6,158</u>

The unrealized gains for the years ended December 31, 2013 and 2012 are included within Investment return on the Consolidated Statements of Activities.

Claims Escrow Funds

At December 31, 2013 and 2012, the claims escrow funds were held by Wells Fargo Bank, N.A. and Chartis. The funds held by Wells Fargo Bank, N.A. are used to pay out claims.

3. Property and Equipment

The following is a summary of the major classes of property and equipment and the related depreciation at December 31.

	<u>2013</u>	<u>2012</u>
Land	\$ 110,000	\$ 110,000
Building	685,760	685,760
Building Improvements	369,809	363,302
Furniture and Fixtures	185,487	185,487
Computers	101,696	101,696
Equipment	158,906	154,900
Field Office Trailers	224,510	218,880
Total	<u>1,836,168</u>	<u>1,820,025</u>
Less: Accumulated Depreciation	<u>(1,595,199)</u>	<u>(1,537,315)</u>
Property and Equipment, net	<u>\$ 240,969</u>	<u>\$ 282,710</u>

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. Property and Equipment (continued)

Depreciation expense totaled \$57,885 and \$88,297 for the years ended December 31, 2013 and 2012 respectively.

4. Reserve for Losses and Loss-Adjustment Expenses

Reserve for losses consists of the following at December 31, 2013 and 2012.

	2013	2012
Reported claims	\$ 443,872	\$ 675,531
Incurred but not reported	86,942	625,365
	\$ 530,814	\$ 1,300,896

Movement in the reserve for losses and loss-adjustment expenses for all policies is summarized as follows:

	2013		2012	
	General Portfolio	Segregated Portfolio	General Portfolio	Segregated Portfolio
Balance – beginning of year	\$ -	\$ 1,300,896	\$ -	\$ 2,809,054
Incurred related to:				
Current year	-		-	
Prior years	-	(309,689)	-	(501,166)
	-	(309,689)	-	(501,166)
Paid related to:				
Current year	-		-	
Prior years	-	(460,393)	-	(1,006,992)
	-	(460,393)	-	(1,006,992)
Balance – end of year	\$ -	\$ 530,814	\$ -	\$ 1,300,896

As described in Note 1, HIA ceased writing new business and insuring risks as of July 16, 2011. Incurred losses resulting from claims related to insured events for prior years were adjusted during the years ended December 31, 2013 and 2012 due to changes in estimates of the ultimate settlement costs of such losses.

HIA engaged independent consulting actuaries to advise on the necessary level of the reserve for losses and loss-adjustment expenses. At December 31, 2013 and 2012, the estimated outstanding losses for all policy years on an undiscounted basis was \$530,814 and \$1,300,896, respectively, at an expected confidence level.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

4. **Reserve for Losses and Loss-Adjustment Expenses (continued)**

In the opinion of the Directors, these provisions are adequate to cover the estimated ultimate liability for the losses and loss-adjustment expenses at the balance sheet date. Consistent with most companies with similar insurance operations, HIA's reserve for losses and loss-adjustment expenses is ultimately based on management's reasonable expectations of the future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effect of such changes could be material to the financial statements. LAHBPA 1993 Inc. and HIA do not discount the reserves for losses and loss-adjustment expenses.

5. **Share Capital**

The authorized share capital of HIA is \$50,000 divided into 1,000 voting ordinary shares with a nominal or par value of \$1.00 per share and 49,000 non-voting redeemable segregated portfolio shares with a nominal or par value of \$1.00 per share. These intercompany activities and transactions have been eliminated upon consolidation. HIA issued 1,000 voting ordinary shares and 1,000 Louisiana SP shares to HAH.

The Ordinary Shares carry voting rights while the Redeemable Segregated Portfolio Shares do not carry the right to vote. Ordinary Shares carry the right to participate in dividends or to participate in any surplus assets available for distribution to the Members in a liquidation, dissolution, or winding up of HIA. Redeemable Segregated Portfolio Shares are designated with respect to the SP. Redeemable Segregated Portfolio Shares carry the right to receive dividends or repayment of capital provided that dividends are paid only from Redeemable Segregated Portfolio Shares relating to the SP.

The assets and liabilities of the SP are kept segregated, separate and separately identifiable from the general assets and liabilities of the Company.

6. **Additional Paid-In Capital**

Additional paid-in capital consists of capital contributions received over and above the par value of shares issued. During the years ended December 31, 2013 and 2012, HIA received \$150,000 and \$140,000 of additional paid-in capital through HAH from LAHBPA 1993 Inc. This intercompany activity and transactions have been eliminated upon consolidation.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

7. Workers' Compensation Insurance

As discussed in Notes 1 and 4, LAHBPA 1993 Inc. has established a Workers' Compensation Program (the Program) to provide accessible and affordable workers' compensation coverage for the benefit of its members as mandated under Act No. 309 of Louisiana Revised Statutes.

During 2013 and 2012 coverage was provided by Chartis or one of its affiliated companies. For Louisiana domiciled participants and participants who meet a Louisiana racing test, coverage is extended to other states while temporarily participating in horse racing and/or training operations. For other participants, coverage is provided while operating at the Louisiana Race Tracks and Louisiana recognized Training Centers. Participants must obtain coverage through the Program unless LAHBPA 1993 Inc. declines to provide coverage. In such case, the trainer must provide evidence that other worker's compensation insurance is in place in order to race in Louisiana.

Workers' compensation benefits provided by the Program were previously provided to members of the Association pursuant to insurance policies issued by a third party and reinsured by Horsemen's Insurance Alliance SPC (HIA), which is incorporated in the Cayman Islands as a segregated portfolio company and a captive insurer owned by the Association. Effective July 16, 2011, the Trust began providing coverage to members, which were previously provided by a third party insurance policy in conjunction with HIA acting as the reinsurer for a specified amount of covered risks. All claims and other liabilities prior to this date remain the obligation of the third party insurer and HIA.

The funds generated by the Program are segregated and restricted for the use of the Program.

LAHBPA 1993 Inc. provides workers' compensation coverage through a zero deductible policy for non-Louisiana risk. Included in workers' compensation premium revenue for the years ended December 31, 2013 and 2012 is \$186,406 and \$204,380, respectively, related to this coverage.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

8. Related Party Transactions

LAHBPA 1993, Inc. shares certain overhead costs with the Louisiana Horsemen's Medical Benefit Trust (Medical Benefit Trust), the Louisiana Horsemen's Pension Trust (Pension), and the Horsemen's Workers Compensation Insurance Trust (HWCIT), affiliates of LAHBPA 1993 Inc. During the years ended December 31, 2011 and 2010, the Medical Benefit Trust advanced funds to LAHBPA 1993 Inc. This advance of funds by the Medical Benefit Trust created a balance due from LAHBPA 1993 Inc. which may be a violation of the Medical Benefit Trust document. The balance of \$462,356 due from the Medical Trust was collected in full during the year ended December 31, 2012. Balances due to and from LAHBPA 1993 Inc. (including its subsidiaries) at December 31, 2013 and 2012 consist of the following:

	2013	2012
Due from Horsemen's Alliance	\$ 250	\$ -
Due from Charitable Foundation	471	471
Due from Horsemen's Insurance Alliance SPC	5,582	315
Due from related party - 1993 Inc., net	\$ 6,303	\$ 786

	2013	2012
Due to Horsemen's Workers' Compensation Insurance Trust	\$ 378,161	\$ 549,761
Due to Worker's Compensation reserve fund	2,500	2,500
Due to related party - 1993 Inc., net	\$ 380,661	\$ 552,261

The amount due to the affiliated entities on behalf of LAHBPA 1993 Inc. was \$380,661 and \$552,261 at December 31, 2013 and 2012, respectively. The balance due to related parties are non-interest bearing and are unsecured. The balances due to HWCIT of \$378,161 and \$549,761 in 2013 and 2012, respectively, represent the worker's compensation premiums and 1% purse funding collected by LAHBPA 1993 Inc. in excess of insurance related and administrative expenses incurred for HWCIT for the years ended December 31, 2013 and 2012. As described in Note 1, the purpose of HWCIT is to provide benefits for certain workers in the horse racing industry and members of LAHBPA 1993 Inc. HWCIT's viability is dependent on LAHBPA 1993 Inc. for funding any cash flow needs and any deficits incurred by HWCIT.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

8. Related Party Transactions (continued)

During the years ended December 31, 2013 and 2012, LAHBPA 1993 Inc. earned management fees totaling \$1,609,200 and \$1,895,500, respectively, from the Medical Benefit Trust, Pension, and HWCIT.

9. Horsemen's Bookkeeper Account

At each race meeting conducted in the State of Louisiana, there shall be a bookkeeper for the collection, disbursement, and investment of monies belonging to horsemen licensed and racing at such a race meeting, who shall be known as the Horsemen's Bookkeeper. The Horsemen's Bookkeeper shall be bonded, selected, and employed by LAHBPA 1993 Inc.

Except for interest earned on the investment of monies in the Horsemen's Bookkeeper Account, and that portion of a pony lead fee as authorized and assessed by LAHBPA 1993 Inc. to provide retirement benefits and to pay the administrative and operating costs of LAHBPA 1993 Inc., withdrawals are limited to monies due horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies if any for horsemen's medical and hospital benefit programs, and pony lead fees.

10. Commitments and Contingencies

Insurance Management Agreement

HIA has an appointed insurance manager located in Grand Cayman. HIA's management agreement with the insurance manager stipulates the terms and conditions under which the insurance manager is to conduct business on behalf of HIA. HIA is committed to pay the insurance manager an annual fee for services. HIA pays the insurance manager a yearly management fee of \$45,000.

Letters of Credit

At December 31, 2013 and 2012, letters of credit of \$2,239,243 and \$4,949,076, respectively have been issued by HIA's banker in favor of the ceding insurer to secure HIA's liabilities under the reinsurance assumed. The letters of credit are secured by a guarantee from LAHBPA 1993 Inc.

A standby irrevocable letter of credit in the amount of \$300,000 has been pledged by LAHBPA 1993 Inc. on behalf of HAH to cover HAH's capital requirement. The letter of credit was retired in June 2013. At December 31, 2013, standby irrevocable letters of credit in the amounts of \$226,000 and \$157,000 are pledged by HAH on behalf of HIA.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

11. Concentration of Credit Risk

LAHBPA 1993 Inc. receives virtually all of its support as a result of the horse racing industry. Management fee income earned from related entities (See Note 8) represents approximately 65% and 66% of its total revenues earned during the years ended December 31, 2013 and 2012. Management does not foresee any unfavorable impact as a result of these concentrations.

Investments represent a portion of the assets of LAHBPA 1993 Inc. Such investments are subject to interest and other risks. Future changes in the financial markets could affect the value of the assets and future earnings of LAHBPA 1993 Inc.

In the normal course of its business, HIA purchases various financial instruments which may result in credit risks, the amount of which is not apparent from the financial statements.

Credit risk is the risk of counterparty default. Financial assets which potentially expose LAHBPA and HIA to credit risk mainly consist of cash and cash equivalents and the claims escrow fund. Cash and cash equivalents are held at substantial financial institutions located in the United States and the Cayman Islands. Management does not anticipate any material losses as a result of these concentrations.

12. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

12. Fair Value Measurements (continued)

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds (Level 1): Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while LAHBPA 1993 Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The valuation of LAHBPA 1993 Inc.'s assets that are measured at fair value on a recurring basis at December 31, 2013 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 75,273	\$ -	\$ -	\$ 75,273
	<u>\$ 75,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,273</u>

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

12. Fair Value Measurements (continued)

The valuation of LAHBPA 1993 Inc.'s assets that are measured at fair value on a recurring basis at December 31, 2012 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 79,271	\$ -	\$ -	\$ 79,271
	\$ 79,271	\$ -	\$ -	\$ 79,271

13. Litigation

Louisiana Downs

In 2007, the LAHBPA 1993, Inc. filed suit against the present owner of the Louisiana Downs Race Track in order to resolve a dispute concerning the use of purse monies at that race track. In 2003, the present owner of the race track and the LAHBPA 1993, Inc. entered into an agreement whereby, subject to certain contingencies being met, the owner of the race track guaranteed to fund racing purses at a certain minimum level and to assume a liability of the prior owner resulting from a decision of the Louisiana Supreme Court concerning the use of video poker revenues to fund racing purses. The funding of racing purses at the guaranteed minimum level was expected to exceed the amounts otherwise required to be used for purses at least until slots at the race track generated additional purse revenues that when combined with other purse revenues would exceed the guaranteed minimum funding level. Subject to certain contingencies being met, the LAHBPA 1993, Inc. agreed that the owner of the race track could recover amounts funded by the owner in excess of the statutorily-required purse amounts, as well as amounts funded by the prior owner in excess of the statutorily-required purse amounts during the two previous race meets, all from the simulcast revenue stream. There is a dispute as to whether the contingencies were met and, if the contingencies were not met, whether the owner is entitled to recover the alleged overpayments under some other legal theory.

The amount claimed by the present owner under the alleged agreement is approximately \$11,000,000. The LAHBPA 1993, Inc. contends that the agreement is null because the contingencies were never met. The LAHBPA 1993, Inc. further contends that, if it is determined that the present owner is entitled to recover amounts previously overpaid, such recovery must be limited to future simulcast revenue streams as provided for in the agreement. The outcome of this litigation is uncertain as of the report date. No provision has been made in the financial statements relating to this litigation.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

13. Litigation (continued)

Derivative Action

Certain members have filed a derivative action against the former President, former Executive Director and eight former Board Members to recover for alleged wrongdoing. Another Board Member has filed a similar lawsuit against the former President. On June 15, 2012, the parties to the derivative actions agreed to a settlement. On July 26, 2012, a settlement hearing was scheduled for the Court to approve the settlement agreement. On August 24, 2012, LAHBPA 1993 Inc. received settlement funds of \$329,830 and recorded the amount in other income in the consolidated statement of activities during the year ended December 31, 2012. LAHBPA 1993 Inc. used the insurance settlement to reduce the balance owed to the Medical Benefit Trust.

14. Going Concern and Uncertainty as to Future Operations

The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Effective July 16, 2011, LAHBPA 1993 Inc. and HIA resolved that the SP would no longer write any new business, and upon cancellation of the current policies in force, the SP commenced running off its existing book of business. Although the SP is no longer writing new business, it is the intention of the Directors to resume writing business at a future date. The Directors have no intention to wind-up operations or re-domicile the SP.

The policies assumed by the SP are subject to a LRRP under which retrospective premiums are recomputed annually. The retrospective premium assessments are due from the ceding insurer who will ultimately collect any related funding from LAHBPA 1993 Inc. As outlined in Note 7, sufficient letters of credit have been issued to the Ceding Insurer to cover any related credit risk to cover losses and loss-adjustment expenses as they fall due.

The Directors believe that the assets of HIA, the letters of credit (Note 10), and commitments of LAHBPA 1993 Inc. to make future capital contributions are sufficient to cover any liabilities and administrative expenses as they become due. Additionally, as a result of the Directors' intention to continue operations of the SP, management believes the going concern assumption is appropriate based on all matters management is aware of.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

15. Other Matters

The Louisiana Legislative Auditor's office has performed procedures and on May 20, 2013 issued an investigative audit on the LAHBPA 1993, Inc. and its related entities. Management is not aware of any impact on the financial statements of the LAHBPA 1993 Inc.

16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2014, and determined no items require disclosure.

SUPPLEMENTAL INFORMATION

LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>1993, Inc.</u>	<u>HAH</u>	<u>HIA</u>	<u>Eliminating Entries</u>	<u>2013</u>
Assets					
Cash and cash equivalents	\$ 757,710	\$ 409,160	\$ -	\$ -	\$ 1,166,870
Claims escrow funds	-	-	216,397	-	216,397
1% fees receivable - workers' compensation program	68,383	-	-	-	68,383
Accounts receivable - workers' compensation premiums	67,315	-	-	-	67,315
Premium receivable	49,213	-	399,075	(399,075)	49,213
Prepaid expenses	169,262	-	17,744	-	187,006
Restricted cash - workers' compensation program	782,982	-	237,630	-	1,020,612
Due from related parties	49,062	-	-	(42,759)	6,303
Investments	75,273	-	-	-	75,273
Investment in subsidiary	565,237	165,933	-	(731,170)	-
Property and equipment, net	240,969	-	-	-	240,969
Total assets	<u>\$ 2,825,406</u>	<u>\$ 575,093</u>	<u>\$ 870,846</u>	<u>\$ (1,173,004)</u>	<u>\$ 3,098,341</u>
Liabilities					
Accounts payable and accrued expenses	\$ 67,090	\$ -	\$ 15,000	\$ -	\$ 82,090
Reserve for losses and loss adjustment expenses	-	-	530,814	-	530,814
Losses payable	-	-	126,196	-	126,196
Unearned premiums - workers' compensation	299,872	-	-	-	299,872
Due to related parties	779,736	9,856	32,903	(441,834)	380,661
Total liabilities	<u>1,146,698</u>	<u>9,856</u>	<u>704,913</u>	<u>(441,834)</u>	<u>1,419,633</u>
Net assets					
Unrestricted	1,678,708	-	-	-	1,678,708
Retained earnings (accumulated deficit)	-	(59,763)	(1,756,501)	1,816,264	-
Additional paid-in capital	-	625,000	1,920,434	(2,545,434)	-
Common stock	-	-	2,000	(2,000)	-
Total net assets	<u>1,678,708</u>	<u>565,237</u>	<u>165,933</u>	<u>(731,170)</u>	<u>1,678,708</u>
Total liabilities and net assets	<u>\$ 2,825,406</u>	<u>\$ 575,093</u>	<u>\$ 870,846</u>	<u>\$ (1,173,004)</u>	<u>\$ 3,098,341</u>

See accompanying independent auditors' report.

(Continued)

LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2013 AND 2012

	1993, Inc.	HAH	HIA	Eliminating Entries	2012
Assets					
Cash and cash equivalents	\$ 719,930	\$ 406,243	\$ -	\$ -	\$ 1,126,173
Claims escrow funds	-	-	494,749	-	494,749
1% fees receivable - workers' compensation program	71,494	-	-	-	71,494
Accounts receivable - workers' compensation premiums	117,172	-	-	-	117,172
Premium receivable	-	-	669,842	(618,642)	51,200
Prepaid expenses	151,479	-	17,744	-	169,223
Restricted cash - workers' compensation program	1,582,995	-	182,753	-	1,765,748
Due from related parties	1,473	-	-	(687)	786
Investments	79,271	-	-	-	79,271
Investment in subsidiary	394,336	(11,220)	-	(383,116)	-
Property and equipment, net	282,710	-	-	-	282,710
Total assets	\$ 3,400,860	\$ 395,023	\$ 1,365,088	\$ (1,002,445)	\$ 4,158,526
Liabilities					
Accounts payable and accrued expenses	\$ 66,308	\$ -	\$ 19,000	\$ -	\$ 85,308
Reserve for losses and loss adjustment expenses	-	-	1,300,896	-	1,300,896
Losses payable	-	-	56,412	-	56,412
Unearned premiums - workers' compensation	309,464	-	-	-	309,464
Due to related parties	1,170,903	687	-	(619,329)	552,261
Total liabilities	1,546,675	687	1,376,308	(619,329)	2,304,341
Net assets					
Unrestricted	1,854,185	-	-	-	1,854,185
Retained earnings (accumulated deficit)	-	(80,664)	(1,783,654)	1,864,318	-
Additional paid-in capital	-	475,000	1,770,434	(2,245,434)	-
Common stock	-	-	2,000	(2,000)	-
Total net assets	1,854,185	394,336	(11,220)	(383,116)	1,854,185
Total liabilities and net assets	\$ 3,400,860	\$ 395,023	\$ 1,365,088	\$ (1,002,445)	\$ 4,158,526

See accompanying independent auditors' report.

**LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012**

	<u>1993 Inc.</u>	<u>HAH</u>	<u>HIA</u>	<u>Eliminations</u>	<u>2013</u>
Revenue and other support					
Workers' compensation premiums	\$ 186,406	\$ -	\$ -	\$ -	\$ 186,406
Management fee income	1,609,200	-	-	-	1,609,200
Underwriting loss	-	-	(158,520)	-	(158,520)
Pony lead fees	610,245	-	-	-	610,245
Investment income - Horsemen's Bookkeeper	171,240	6,246	-	-	177,486
Jockey payroll and NSF fees	43,953	-	-	-	43,953
Investment return	3,399	-	96	-	3,495
Other income	6,162	-	-	-	6,162
Equity on gain of subsidiary	20,901	27,153	-	(48,054)	-
	<u>2,651,506</u>	<u>33,399</u>	<u>(158,424)</u>	<u>(48,054)</u>	<u>2,478,427</u>
Total revenue and other support					
Expenses					
Workers' compensation program	387,755	-	(309,689)	-	78,066
Support services	2,439,228	12,498	124,112	-	2,575,838
	<u>2,826,983</u>	<u>12,498</u>	<u>(185,577)</u>	<u>-</u>	<u>2,653,904</u>
Total expenses					
Change in net assets	<u>(175,477)</u>	<u>20,901</u>	<u>27,153</u>	<u>(48,054)</u>	<u>(175,477)</u>
Net assets, beginning of year	<u>1,854,185</u>	<u>394,336</u>	<u>(11,220)</u>	<u>(383,116)</u>	<u>1,854,185</u>
Net asset contributions	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>(300,000)</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,678,708</u>	<u>\$ 565,237</u>	<u>\$ 165,933</u>	<u>\$ (731,170)</u>	<u>\$ 1,678,708</u>

(Continued)

See accompanying independent auditors' report.

**LOUISIANA HORSEMEN'S BENEVOLENT
AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012**

	<u>1993 Inc.</u>	<u>HAH</u>	<u>HIA</u>	<u>Eliminations</u>	<u>2012</u>
Revenue and other support					
Workers' compensation premiums	\$ 204,380	\$ -	\$ -	\$ -	\$ 204,380
Management fee income	1,895,500	-	-	-	1,895,500
Underwriting loss	-	-	(453,767)	-	(453,767)
Pony lead fees	631,815	-	-	-	631,815
Investment income - Horsemen's Bookkeeper	214,923	-	-	-	214,923
Jockey payroll and NSF fees	49,545	-	-	-	49,545
Investment return	7,990	-	228	-	8,218
Other income	337,410	-	-	-	337,410
Equity on loss of subsidiary	(118,368)	(108,420)	-	226,788	-
	<u>3,223,195</u>	<u>(108,420)</u>	<u>(453,539)</u>	<u>226,788</u>	<u>2,888,024</u>
Total revenue and other support					
Expenses					
Workers' compensation program	63,677	-	(501,166)	-	(437,489)
Support services	2,561,383	9,948	156,047	-	2,727,378
	<u>2,625,060</u>	<u>9,948</u>	<u>(345,119)</u>	<u>-</u>	<u>2,289,889</u>
Total expenses					
Change in net assets	598,135	(118,368)	(108,420)	226,788	598,135
Net assets, beginning of year	1,256,050	37,704	(42,800)	5,096	1,256,050
Net asset contributions	-	475,000	140,000	(615,000)	-
Net assets, end of year	<u>\$ 1,854,185</u>	<u>\$ 394,336</u>	<u>\$ (11,220)</u>	<u>\$ (383,116)</u>	<u>\$ 1,854,185</u>

See accompanying independent auditors' report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors

Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries (LAHBPA 1993 Inc) which comprise the consolidated statements of financial position for the years ended December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of LAHBPA 1993 Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' consolidated financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LAHBPA 1993 Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Postlethwaite + Netterville

Metairie, Louisiana
June 30, 2014

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2013

A. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

- Material weakness(es) identified? _____ Yes X None reported
- Significant deficiencies identified that are
- not considered to be material weaknesses _____ Yes X None reported

Material noncompliance to financial statements? _____ Yes X None reported

B. Basic Financial Statements, Findings, and Responses